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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
Simplification of the)
Depreciation Prescription Process)

CC Docket 92-296
[FCC 93-492]

INITIAL COMMENTS OF THE
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

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Pursuant to Sections 1.49, 1.415 and 1.419 of the Federal Communications Commission's ("FCC" or "Commission") Rules of Practice and Procedure, 47 C.F.R. Section 1.49, 1.415, & 1.419 (1992), the National Association of Regulatory Commissioners ("NARUC") respectfully submits these comments on the Federal Communications Commission's ("FCC" or "Commission") Order Inviting Comments adopted November 8, 1993, and released November 12, 1993 [FCC 93-492] in the above-captioned proceeding.

In support of these comments, NARUC states as follows:

I. NARUC'S INTEREST

NARUC is a quasi-governmental nonprofit organization founded in 1889. Members include the governmental bodies engaged in the regulation of carriers and utilities from all fifty States, the District of Columbia, Puerto Rico, and the Virgin Islands.

NARUC's mission is to improve the quality and effectiveness of public utility regulation in America. Specifically, NARUC is composed of, inter alia, State and territorial officials charged with the duty of regulating the telecommunications common carriers within their respective borders. These officials have the obligation to assure that such telecommunications services and facilities as are required by the public convenience and necessity are established, and that service is furnished at rates that are just and reasonable.

Section 220(b) of the Communications Act of 1934, 47 U.S.C. Section 220 (1989), gives the FCC authority to establish depreciation rates as part of its authority to "...prescribe the forms of any and all accounts, records and memoranda subject to this chapter." Although, as a result of a 1986 Supreme Court case¹, the FCC's actions in this docket cannot limit state action concerning intrastate depreciation rates, several states continue to rely, in part, on the FCC in establishing those intrastate rates. The so-called "three-way meeting process" has, for these states, been very productive.

¹ Louisiana Public Service Commission v. FCC, 476 U.S. 355 (1986).

Because of this potential impact on State commission procedures, and NARUC's stated goal of promoting more efficient regulation, NARUC has an interest in this proceeding.

II. BACKGROUND

In its Report and Order adopted on September 23, 1993 and released October 20, 1993 in CC Docket 92-296, the FCC concluded that the current depreciation prescription process should be simplified in light of the regulatory, technological, and market changes that the price cap LECs face today. Accordingly, the FCC adopted a streamlined process that requires the establishment of ranges for projection life and future net salvage factors (the Basic Factor Range Option). This process is to be implemented in phases, beginning with the accounts most readily adaptable to the range approach.

The FCC proposes ranges be established for twenty-two plant categories. Ranges for the remaining accounts will be proposed if feasible as soon as possible. The FCC seeks comments on its proposed selected accounts and factor ranges for use beginning in 1994.

III. DISCUSSION

NARUC appreciates the opportunity to offer comments on this Order. As State regulators responsible for reviewing utility depreciation rate studies, and ensuring that depreciation rates are reasonable and appropriate, NARUC supports the FCC's adoption of the Basic Factor Range Option. NARUC argued in its March 10, 1993 comments that the Basic Factor Range Option was the most acceptable of the four simplification options presented because it assures the most accurate results by, inter alia, continuing to recognize an individual carrier's accumulated depreciation reserve in setting rates. NARUC applauds the FCC's adoption of this option for the LEC's and rejection of the other three options considered.

The FCC proposed ranges of projection life and future net salvage for 22 plant categories based on an analysis of industry-wide basic factors underlying currently prescribed depreciation rates and application of criteria such as the width of the specific range, the number of carriers encompassed by that range and trends in LEC plant retirement and modernization plans. Upon review, NARUC finds that these ranges appear to provide flexibility to a substantial number of carriers, thus enabling them to utilize the simplification process. Consequently, NARUC supports the proposed accounts and ranges of projection lives and net salvages to be implemented in 1994.

NARUC agrees that the proposed basic factor ranges are preferable to the alternative of adopting ranges which would include all of the currently prescribed basic factors. Such all encompassing ranges would be so broad as to be meaningless and increase the possibility of manipulation.

For four accounts, the FCC is establishing ranges for homogeneous subdivisions which are referred to as "rate categories". The implementation of the FCC's proposal will result in only those carriers seeking depreciation rates at the rate category level being able to avail themselves of the streamlined procedures for the Circuit Equipment, Aerial Cable, Underground Cable, and Buried Cable accounts. NARUC supports the use of rate categories because it will encourage carriers who do not currently subdivide these accounts to do so, resulting in more accurate rates. NARUC agrees that the use of rate categories will not be difficult or expensive because the FCC accounting rules already require carriers to maintain the necessary subsidiary records.

At this time the FCC is not establishing basic factor ranges for 12 other plant categories, but has stated its intention to do so at a future date. NARUC agrees that the plant categories for which basic factor ranges have not been assigned at this time present a variety of circumstances which call for further study.

While NARUC endorses simplification of the depreciation process and commends the FCC for the measured steps taken in CC Docket 92-296, NARUC continues in its assertion that it is imperative for carriers to continue to maintain continuing property records and mortality data by account. Further, NARUC wishes to make clear its position that any basic factor ranges adopted by the FCC are for interstate depreciation purposes only, and that the various state commissions are free to establish depreciation rates for intrastate purposes in whatever manner and at whatever level they deem appropriate consistent with the laws and rules of the respective states.

Respectfully submitted,



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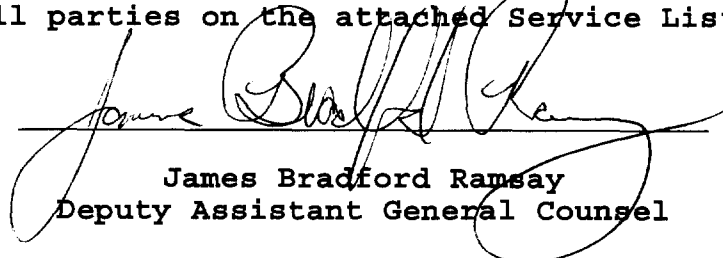
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December 17, 1993

CERTIFICATE OF SERVICE

I, JAMES BRADFORD RAMSAY, certify that a copy of the foregoing was sent by first class United States mail, postage prepaid, this 17th Day of December, 1993, to all parties on the attached Service List.



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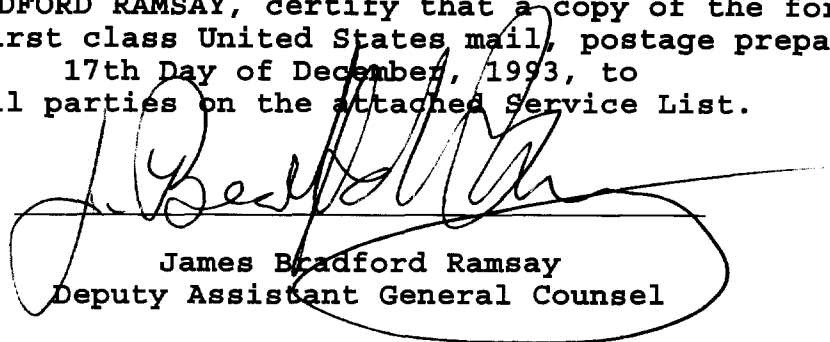
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